

AMENDED IN SENATE JUNE 4, 2003

AMENDED IN SENATE MAY 7, 2003

## SENATE BILL

**No. 527**

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### Introduced by Senator Vasconcellos

February 20, 2003

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~~An act to add Chapter 12 (commencing with Section 15399.70) to Part 6.7 of Division 3 of Title 2 of the Government Code, relating to An act to amend Section 15363.10 of the Government Code, relating to economic development.~~

#### LEGISLATIVE COUNSEL'S DIGEST

SB 527, as amended, Vasconcellos. Economic development: task force.

Existing law requires the Secretary of Technology, Trade, and Commerce to convene the California Economic Strategy Panel, which includes specified appointed members, to provide recommendations regarding an economic development strategic plan.

~~This bill would require the panel, no later than 60 days after this bill takes effect, to convene the Economic Development Accountability Task Force, with specified public and private members. The bill would charge the task force with developing to address the development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy, and crafting indicators based on standard objective measures of growth by consulting the statement of economic goals included in the biennial economic development strategic plan prepared by the panel. The bill also would require the task force panel to develop a standard~~

definition of economic development and to conduct specified studies related to the economic development sections of the State Budget. It would require the ~~task force~~ *panel* to submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting *after January 1, 2004*.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. (a) The Legislature hereby finds and declares  
2 all of the following:

3 (1) There has been a renewed interest in how public policies  
4 and public dollars can best be spent to stimulate the economy. Most  
5 of the debate has focused on what new efforts might be initiated  
6 to improve the state's economy. Little attention has been focused  
7 on whether the billions of dollars the state already spends each year  
8 to promote a healthy economy are achieving the desired result.

9 (2) The Senate Select Committee on Economic Development,  
10 in hearings held in 2002, found a unanimous recognition of the  
11 need for both of the following:

12 (A) A better definition of the role of state government in  
13 economic development.

14 (B) Better measures to comprehensively evaluate existing and  
15 future state economic development programs.

16 (3) The need for a system of accountability for state economic  
17 development investments was similarly articulated in a 2001  
18 California Budget Project report entitled "Maximizing Returns: A  
19 Proposal for Improving the Accountability of CA's Investments in  
20 Economic Development." This report stressed that, in spite of  
21 recent efforts to implement accountability and performance  
22 standards for education, no focus has been given to developing  
23 similar measures to evaluate state economic development  
24 investments.

25 (b) It is the intent of the Legislature in enacting this act to  
26 provide for all of the following:

27 (1) The development of a method to thoroughly evaluate state  
28 investments in economic development to ensure that a reasonable  
29 return is being made on those investments.



(2) The evaluation of the effectiveness of both tax expenditures and economic development programs.

(3) The design of a system of expenditure analysis to be used by the Legislature, the Legislative Analyst, and the Department of Finance in the annual budget and appropriations process.

~~SEC. 2.—Chapter 12 (commencing with Section 15399.70) is~~  
*SEC. 2. Section 15363.10 of the Government Code is amended to read:*

15363.10. (a) The secretary shall lead the preparation of a biennial California Economic Development Strategic Plan. In fulfilling this duty, the secretary shall do the following:

(1) Review the recommendations made by the California Economic Strategy Panel in their biennial economic development strategic plan document. This document shall make recommendations regarding an economic development strategic plan for the state, covering a two-year time period and containing a statement of economic goals for the state, a prioritized list identifying significant issues learned from economic development strategic plan panel meetings, proposals for legislation, regulations, and administrative reforms necessary to improve the business climate and economy of the state, evaluation of the effectiveness of the state's economic development programs, a list of key industries in which the state shall focus its economic development efforts, and strategies to foster job growth and economic development covering all state agencies, offices, boards, and commissions that have economic development responsibilities.

(2) Convene a biennial economic strategy panel to provide recommendations regarding a California economic development strategic plan. This panel shall conduct meetings in Sacramento, all cities of the state with populations over 500,000, and in major cities of other regions of California as designated by the secretary. The secretary shall invite businesses, labor unions, organizations representing the interests of diverse ethnic and gender groups, local government leaders, academic economists and business professors, chambers of commerce and other business organizations, government agencies, and key industries to contribute to the preparation of the recommended economic strategy. These meetings shall address at least the following matters of concern:

1 (A) Strengths and weaknesses of the California economy and  
2 the state's prospects for future economic prosperity.

3 (B) Emerging and declining industries in California and  
4 elsewhere.

5 (C) Effectiveness of California's economic development  
6 programs in creating and retaining jobs and attracting industries.

7 (D) Adequacy of state and local physical and economic  
8 infrastructure.

9 (E) Government impediments to economic development.

10 (F) *The development of a system of accountability for use in the*  
11 *annual state budget process and in the legislative process to*  
12 *measure the performance of all state policies, programs, and tax*  
13 *expenditures intended to stimulate the economy. In developing a*  
14 *system of accountability, the panel shall, by using only existing*  
15 *resources and without future budget augmentation made for this*  
16 *purpose, do all of the following:*

17 (i) *Develop a standard definition of economic development.*

18 (ii) *Develop, for use in state law, standard measurements of real*  
19 *per capita income, job growth, new business creation, private*  
20 *sector investment, minority entrepreneurship, and income*  
21 *inequality.*

22 (iii) *Survey and evaluate efforts in other states to develop*  
23 *accountability measures for public investments in economic*  
24 *development.*

25 (iv) *Determine whether a return on investment calculation is*  
26 *feasible for public investments in economic development.*

27 (v) *Conduct a comparative study of various methodologies for*  
28 *preparing the economic development sections of a state budget,*  
29 *including unified functional budget, zero-based budget, and*  
30 *performance-based budget methodologies.*

31 (vi) *Study the feasibility of statutory disclosure requirements on*  
32 *specified publicly funded subsidies to private sector businesses.*

33 (vii) *Submit a report of its findings and recommendations*  
34 *regarding this subparagraph to the Legislature no later than one*  
35 *year after its first meeting after January 1, 2004.*

36 (b) The panel shall be composed of the following 15 members:

37 (1) The Secretary of Technology, Trade, and Commerce, who  
38 shall serve as chair of the panel.

39 (2) Eight persons appointed by the Governor.

40 (3) The Speaker of the Assembly or his or her designee.

1 (4) The President pro Tempore of the Senate or his or her  
2 designee.

3 (5) The Minority Leader of the Assembly or his or her  
4 designee.

5 (6) The Minority Leader of the Senate or his or her designee.

6 (7) One person appointed by the Speaker of the Assembly.

7 (8) One person appointed by the Senate Committee on Rules.

8 (c) The panel shall be representative of state government,  
9 business, labor, finance, and academic institutions, and shall be  
10 broadly reflective of the state's population as to gender, ethnicity,  
11 and geographic residence within California.

12 At least one-half of all the persons on the panel shall be from the  
13 private sector and at least two appointments shall be from private  
14 businesses with less than 50 employees. At least two appointments  
15 shall be from rural areas of the state. Beginning January 1, 2003,  
16 appointments to the panel shall be for four-year terms, except that  
17 the Governor's appointments made pursuant to paragraph (2) of  
18 subdivision (b) shall be made as follows:

19 (1) Four members shall be appointed on January 1, 2003, and  
20 every four years thereafter.

21 (2) Four members shall be appointed on January 1, 2003, for a  
22 two-year term.

23 (3) Upon the expiration of the initial appointments made  
24 pursuant to paragraph (2), four members shall be appointed on  
25 January 1, 2005, and every four years thereafter.

26 (d) The secretary shall deliver copies of the economic strategy  
27 panel's recommended California economic development strategic  
28 plan to every constitutional officer, legislator, member of the  
29 Governor's cabinet, members of the economic development  
30 strategic plan panel, and every state agency, office, board, and  
31 commission having economic development responsibilities.

32 (e) In each succeeding two-year cycle, the secretary shall  
33 undertake this process anew, so as to update the economic strategy  
34 on or before October 31 of each succeeding second year.

35 ~~added to Part 6.7 of Division 3 of Title 2 of the Government Code,~~  
36 ~~to read:~~  
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~~CHAPTER 12.—ECONOMIC DEVELOPMENT ACCOUNTABILITY TASK  
FORCE~~

~~15399.70. The California Economic Strategy Panel shall convene the Economic Development Accountability Task Force, which is charged with both of the following:~~

~~(a) Developing a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy.~~

~~(b) Crafting indicators based on standard objective measures of growth by consulting the statement of economic goals included in the biennial economic development strategic plan prepared by the California Economic Strategy Panel pursuant to Section 15363.10.~~

~~15399.71. The Economic Development Accountability Task Force shall do, at a minimum, all of the following:~~

~~(a) Develop a standard definition of economic development.~~

~~(b) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.~~

~~(c) Survey and evaluate efforts in other states to develop accountability measures for public investments in economic development.~~

~~(d) Determine whether a return on investment calculation is feasible for public investments in economic development.~~

~~(e) Conduct a comparative study of various methodologies for preparing the economic development sections of a state budget, including unified functional budget, zero-based budget, and performance-based budget methodologies.~~

~~(f) Study the feasibility of statutory disclosure requirements on specified publicly funded subsidies to private sector businesses.~~

~~15399.72. The Economic Development Accountability Task Force is comprised of all of the following:~~

~~(a) Each of the following or his or her designee:~~

~~(1) The Director of Finance.~~

~~(2) The Legislative Analyst.~~

~~(3) The Executive Officer of the Franchise Tax Board.~~

~~(4) The Chairperson of the State Board of Equalization.~~

~~(5) The Chairperson and Vice Chairperson of the Senate Committee on Budget and Fiscal Review.~~

~~(6) The Chairperson and Vice Chairperson of the Senate Committee on Revenue and Taxation.~~

~~(7) The Chairperson and Vice Chairperson of the Assembly Committee on Budget.~~

~~(8) The Chairperson and Vice Chairperson of the Assembly Committee on Revenue and Taxation.~~

~~(9) The Secretary of Technology, Trade, and Commerce.~~

~~(10) The Secretary of Business, Transportation and Housing.~~

~~(11) The Director of the California Research Bureau.~~

~~(12) One member of the California Economic Strategy Panel, to be selected by the chairperson of the panel.~~

~~(b) Two representatives of each of the following categories or entities, one appointed by the Speaker of the Assembly and one appointed by the President pro Tempore of the Senate:~~

~~(1) Local economic development agencies.~~

~~(2) Small business companies.~~

~~(3) Chambers of commerce.~~

~~(4) Organizations representing large industry.~~

~~(5) Nonprofit organizations.~~

~~(6) Academic experts in economics.~~

~~(7) Academic experts in public policy.~~

~~15399.73. (a) The California Economic Strategy Panel shall convene the Economic Development Accountability Task Force no later than 60 days after the effective date of this act.~~

~~(b) The task force shall submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting.~~